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Message Text

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INR-10 NSAE-00 RSC-01 FAA-00 L-03 DRC-01 /061 W
---------- 125725
R 141905Z NOV 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5575
INFO AMEMBASSY PARIS
AMEMBASSY BONN

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E.O. 11652: N/A
TAGS: OCON, ETRN, US, UK
SUBJ: CIVAIR: US-UK CHARTER TALKS

1. AGENDA INCLUDED: (A) CHARTER MINIMUMS, (B) UK RULES ON AFFINITIES, (C) UK RESTRAINTS ON ITCS, (D) EXTENSION OF MOU ON TGC'S/ABC'S, (E) SPECIAL EVENT CHARTERS AND (F) MISCELLANEOUS ITEMS. INDUSTRY OBSERVERS IN ATTENDANCE ON BOTH SIDES.

2. MONDAY DISCUSSION DEVOTED TO ITCS AND SPECIAL EVENT CHARTERS. USDEL OUTLINED DIFFICULTIES IN UK APPLICATION OF QUOTA SYSTEM WITH CHICKEN AND EGG SYNDROME. UKDEL RECOGNIZED PROBLEMS BUT SAID SYSTEM WAS NOT QUOTA BUT "CAPACITY SURVEILLANCE" WHICH IT WOULD NOT ABANDON. HOWEVER, UK WAS ATTEMPTING TO IMPROVE SITUATION BY LLING FOR US CHARTER PROGRAMS BY END OF NOVEMBER WITH TENTATIVE UK RESPONSE BY JANUARY 1. UKDEL VAGUE ABOUT SYSTEM FOR DEALING WITH EXCESS APPLICATIONS; MIGHT BE BASED ON GRANDFATHER RIGHTS, OR PERCENTAGE REDUCTION ACROSS THE BOARD. AS PRACTICAL MATTER, UK HAD NOT YET REVERSED ANY ITC PROGRAM ON CAPACITY GROUNDS. TWO SIDES NOTED DISAGREEMENT ON WHETHER INHIBITING FACTOR WAS QUOTA OR US ITC CONDITIONS. UKDEL ASKED ABOUT POSSIBLE CHANGES IN US RULE. USDEL SAID SITUATION UNCERTAIN BUT
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1974 CHANGE NOT LIKELY. IN PASSING, RCAA HAS NOTED THAT

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160 US ITCS WERE APPROVED IN 1973, BUT SUBSTANTIAL NEW PAA PROGRAM IN 1974 WHICH COULD HAVE IMPACT ON SUPPLEMENTAL PROGRAMS. USDEL REITERATED HOPE THAT UK COULD LIBERALIZE SITUATION.

3. RE SPECIAL EVENT CHARTERS, UKDEL RECALLED ECAC-US DISCUSSIONS AND NOTED THAT SPECIAL EVENT CHARTERS HAD BEEN OPERATED OUT OF UK FOR SOME TIME, INCLUDING FEW TO US. UK HOPED ESTABLISH NEW REGULATION ON SPECIAL EVENT CHARTERS AND WONDERED IF CAB COULD HANDLE BY WAIVER. USDEL POINTED OUT THAT NO SPECIAL EVENT CHARTER RULE IN EFFECT IN US AND THEREFORE SPECIAL EVENT CHARTERS COULD NOT BE ACCEPTED EXCEPT BY WAIVER. PROBABLY SUCH AN ARRANGEMENT WOULD REQUIRE SOME BILATERAL AGREEMENT, BUT USDEL WOULD TAKE LOOK AT MATTER IF UKDEL WISHES.

4. RE CHARTER MINIMUMS, UKDEL SAID UK CARRIER NA SEAT MILE COSTS RANGES FROM L.56 CENTS TO 2.00 CENTS PER SEAT MILE, SOMEWHAT LOWER THAN IN CAB NPRM. PRICE TO PASSENGER IN UK REFLECTED THESE LOWER COSTS. BECAUSE UK MARKET ELASTIC, ADOPTION OF CAB PROPOSED MINIMUM WOULD REDUCE UK ORIGIN MARKET. AS RESULT UK DID NOT WISH TO ADHERE TO EITHER ECAC OR CAB PROPOSED MINIMUMS. UKG CONSIDERING WHETHER TO REGULATE CHARTER PRICE BY (A) ESTABLISHING MINIMUMS IN SAME WAY AS US, (B) REQUIRING FILING OF COSTS AND RATES FOR APPROVAL OR (C) UTILIZING CANADIAN APPROACH AND USING NATIONAL CARRIER FILINGS TO ESTABLISH NORM. NOTED THAT FUEL COSTS MAY WELL RAISE PRICES ABOVE ESTABLISHED MINIMUMS. PERHAPS WAY TO DEAL WITH DIFFERING STANDARDS WOULD BE USE RULES OF ORIGIN APPROACH.

5. USDEL REPLIED THAT US WOULD LIKE AVOID OVER REGULATION, BUT SOME INTERVENTION WAS NECESSARY. US NORMAL REGULATORY APPROACH WAS TO EXAMINE PRICING RATHER THAN CAPACITY. WOULD LIKE TO SEE FURTHER DETAILED DATA ON UK COSTS FOR COMPARISON WITH US. WONDERED IF ANY CONSIDERATION HAD BEEN GIVEN BY UK TO COMPETITIVE IMPACT OF CHARTER FARES ON SCHEDULED FARES NOTING ECAC ARGUMENT ON RELATION CHARTER FARES TO 22/45 DAY FARE.
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6. UKDEL SAID UK SHARED US VIEWS THAT BOTH CHARTER AND SCHEDULED FARES SHOULD BE ECONOMIC BUT FELT THAT SCHEDULED FARES SHOULD BE STRUCTURED SO AS TO BE COMPETITIVE WITH CHARTERS. PUBLIC POLICY ISSUE AROSE IF THIS COULD NOT BE DONE, BUT UK FELT THAT ECONOMIC COMPETITIVE SKED FARES COULD BE MAINTAINED. UKDEL NOTED LAKER 1974 ABC PROGRAM TO UK HAD FARES RANGING FROM 47

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TO 84 POUNDS. LAKER SAID COMMISSIONS, ETC., COULD RE-
DUCE YIELD TO AIRLINE BY AS MUCH AS ONE THIRD.

7. TWO SIDES AGREED CONVENE WORKING GROUP ON COST DATA

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LATER IN DAY AND NOTED DESIRABILITY ON HAVING INFO ON
RESPECTIVE RULES SOONEST.

8. RE AFFINITIES USDEL NOTED THAT US HAD EXTENDED
AFFINITIES UNTIL AT LEAST NOVEMBER 1974, AND UNDERSTOOD
UKG WOULD ACCEPT AFFINITIES UNTIL AT LEAST THAT DATE.
WHILE US UNDERSTOOD NEED FOR SOME PRELISTING REQUIREMENT,
PROPOSED 30 DAY 100 PERCENT PRELISTING WOULD BE EXTREMELY
BURDENSOME TO CARRIERS AND WOULD DISCOURAGE AFFINITIES.
USDEL FELT EXISTING STANDARD OF 25 DAY 80 PERCENT PRELISTING
WAS REASONABLE AND HOPED UK WOULD AMEND PROPOSED RULE.

9. UKDEL NOTED ECAC POSITION THAT CONTINUTATION OF
AFFINITIES WAS RELATED TO ABC ADVANCE FILING PERIOD
CHANGE FROM 90 TO 60 DAYS. PRELISTING ORIGINALLY ESTAB-
LISHED BY US, AND UK HAD NOW ADOPTED 25 DAY 80 PERCENT RULE.
25 DAY 80 PERCENT RULE HAD NOT PROVEN EFFECTIVE ENFORCEMENT
TOOL SO UK WAS GOING TO 30 DAY 100 PERCENT. UKDEL EXPLAINED
THAT DTI HAD 100 PERCENT PRELISTING IN EFFECT EARLIER AND HAD

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RECEIVED NO COMPLAINTS. (CLEAR PICTURE ON WHAT RESPEC-
TIVE CAA AND DTI RULES HAD BEEN WAS DIFFICULT TO DEVELOP
BUT RCAA WILL FOLLOW UP.) ALSO SINCE ADVANCE LIST USED
AS PART OF CARRIER LICENSE, NECESSARY TO HAVE LIST IN
ADVANCE WHICH WAS THEN CONSIDERED PART OF LICENSE.
UKDEL ALSO ADMITTED THAT THERE WAS EFFORT HERE TO MOVE
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CLOSER TO BASIC ABC CONCEPT. HOWEVER, UK WAS PREPARED
TO CONSIDER SUBSTITUTIONS AND ADDITIONS TO ORIGINAL LIST
BUT EXTENT UNCERTAIN. ALSO NOTED THAT TIGHTER RULES
REDUCED RISK TO CARRIER OF VIOLATIONS AND POSSIBLE FLIGHT
CANCELLATIONS. BASED ON EXPERIENCE SO FAR, UKDEL DID NOT
THINK 100 PERCENT REQUIREMENT WOULD BE ONEROUS. COMMENT:
CARRIER VIEWS HERE ON THIS APPEAR MORE RELAXED THAN IN
WASH. THIS ITEM SHOULD BE RESEARCHED FURTHER.

10. RE EXTENTION MOU, USDEL NOTED THAT MOU EXPIRED
MARCH 31, AND PRESUMABLY WOULD HAVE TO BE EXTENDED. IF
CHANGES REQUIRED, THESE WOULD HAVE TO BE AGREED IN
ADVANCE THAT DATE. SOME ITEMS DISCUSSED THIS WEEK COULD
WELL BE INCLUDED.

11. UKDEL SAID CHANGES MIGHT INCLUDE REDUCTION 90 DAY
FILING PERIOD TO 60 DAYS. ALSO US NPRM DID NOT APPEAR
COVER INTERMINGLING WHICH IS IMPLICITLY COVERED BY
EXISTING MOU. PRESUMABLY, WAIVERS WOULD CONTINUE TO BE
NEEDED FOR INTERMINGLING. ASKED WHEN US PREPARED TO
DISCUSS. ALSO BECAUSE OF TIMING IMPACT IN CHANGE OF 90
DAY RULE, WOULD BE DESIRABLE TO COMPLETE BEFORE JANUARY 1.

12. AFTER OVERNIGHT RECESS TO CONSIDER MATTER, USDEL
SAID DISCUSSION HAD REVEALED NUMBER OF POINTS OF
INTEREST TO EACH SIDE, I.E., FOR UK, 90 TO 60 DAYS,
CHARTER MINIMUMS, SPECIAL EVENT CHARTERS, INTERMINGLING
AND POSSIBLE ELIMINATION OF STANDBY LIST, AND FOR US,
AFFINITIES AND ITCS. USDEL WOULD BE PREPARED TO RECOM-
MEND FURTHER DISCUSSIONS ON THESE SUBJECTS WITH A VIEW
TO DEALING WITH PROBLEMS ON BOTH SIDES. ANY ULTIMATE
UNDERSTANDING COULD BE INCORPORATED IN MOU OR ANY OTHER
FORM SUITABLE FOR PURPOSE. AT THIS POINT, UKDEL BACK-
TRACKED RAPIDLY AND SAID THEY WERE NOT SURE THEY WISHED
TO PRESS MATTERS SO FAR AS TO REQUIRE AN UNDERSTANDING.
THEIR ESSENTIAL PURPOSE WAS TO HAVE AN EXCHANGE OF VIEWS.
IN ANY EVENT, UK WOULD NOT DECIDE ON 90 TO 60 DAY QUES-
TION UNTILNEXT WEEK (WE UNDERSTAND BOAC IS OPPOSED) AND
NO DECISION COULD BE TAKEN UNTIL THEN.

13 USDEL RESPONDED THAT IF UK DID NOT WISH PURSUE
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FURTHER, THIS POSED NO DIFFICULTY WITH US. USDEL HAD UNDERSTOOD THAT UK WISHED US TO CONSIDER CERTAIN CHARTER CHANGES. IF SO, US CONSIDERATION WOULD BE INFLUENCED BY UK ATTITUDE TOWARD US PROBLEMS. IF NOT, THERE WAS NO GREAT PROBLEM FOR US.

14. AFTER FURTHER DEBATE IN WHICH QUESTION TACTICS CLEARLY UPPERMOST IN MINDS BOTH DELS, IT WAS AGREED THAT TWO SIDES WOULD REFLECT ON WEEK'S DISCUSSION AND BE IN TOUCH AFTER NEXT WEEK.ANNENBERG

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